

BILL ANALYSIS

Senate Research Center

S.J.R. 47
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Business & Commerce
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DIGEST AND PURPOSE

Currently, Texas homeowners lack the ability to access the home equity line of credit market and are able to access the equity in their homes only through a lump-sum payout to be repaid over a set term. Homeowners must borrow and pay interest on the entire amount of the home equity loan, even if the borrower does not need the full amount immediately. As proposed, S.J.R. 47 proposes a constitutional amendment to authorize and provide provisions concerning home equity lines of credit.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 50, Article XVI, Texas Constitution, by amending Subsections (a), (g), and (h) and adding Subsection (t), as follows:

- (a) Deletes existing Subdivision (F) and redesignates subsequent subdivisions accordingly.
- (g) Deletes existing Subdivision (F) and redesignates subsequent subdivisions accordingly.
- (h) Makes a conforming change by changing a reference from Subsection (a)(6)(Q)(ix) to (a)(6)(P)(ix).
- (t) Provides that if an extension of credit under Subsection (a)(6) of this section permits a borrower to request advances, repay, and reborrow subject to a limit on total principal outstanding at one time, the extension of credit is a "home equity line of credit" and the period during which the borrower may request advances is called the "advance period." Provides that under a home equity line of credit, for purposes of Subsection (a)(6) of this section, the "principal amount" is the maximum principal amount that may be outstanding at one time and the extension of credit is considered to be made on the date the credit agreement is executed. Provides that a home equity line of credit complies with Subsection (a)(6)(K) of this section if all periodic payments required during the advance period equal or exceed the amount of accrued interest and the required periodic payments after the advance period ends are substantially equal. Prohibits a creditor from unilaterally amending a home equity line of credit in a manner that is adverse to the borrower's interest except as required to comply with applicable laws.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 4, 2003. Requires the ballot to be printed to permit voting for or against the proposition: "The constitutional amendment authorizing home equity lines of credit."